

November 2, 2001

Retirement Board
Public Employee Retirement System



Milliman USA has performed annual actuarial valuations for the Public Employee Retirement System of Idaho since the System's inception in 1965. It is anticipated that future actuarial valuations will be performed every year, with the next valuation to be as of July 1, 2002. Various benefit increases have occurred since the System was established in 1965. The most recent significant benefit changes were effective July 1, 2000.

Contribution Rates

The financing objective of the System is to establish contribution rates that will tend to remain level as percentages of payroll. From October 1, 1986 through September 30, 1992, the recommended total contribution rates had a weighted average of 14.31% of covered salaries: 8.89% of salary for the employers and either 6.4% for Fire & Police members or 5.34% for General/Teachers.

To cover the cost of the benefit improvements in October 1992, 1993 and 1994, the contribution rates were increased. The contribution rates were temporarily reduced between November 1997 and April 25, 2000 when the Board adopted as permanent the new lower rate of 15.78%, based on the funding status of the system. The changes have been as follows:

Year of Change	Total Rate	Weighted Total		Fire & Police		General/Teachers	
		Member Rate	Employer Rate	Member Rate	Employer Rate	Member Rate	Employer Rate
1992	15.70%	5.95%	9.75%	7.02%	9.75%	5.84%	9.75%
1993	17.16	6.51	10.65	7.82	10.87	6.38	10.63
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77

Currently, the weighted average total Member Rate is 5.98% and the weighted average total Employer Rate is 9.80%. Our July 1, 2001 actuarial valuation found that the current rates are sufficient to pay the System's normal cost. As of July 1, 2001, there is an unfunded actuarial accrued liability of \$186.3 million. The portion of the total Member and Employer rates of 15.78% that is not needed to pay the System's normal cost is 1.04%. This amount is sufficient to amortize the unfunded actuarial accrued liability over 10.2 years. Thus, the current contribution basis meets or exceeds the requirements of Section 59-1322, Idaho Code, which requires the unfunded actuarial accrued liability to be amortized within 25 years of the valuation date.

Funding Status

Based on the July 1, 2001 actuarial valuation, the unfunded actuarial accrued liability was increased by \$966.9 million due to a large asset loss recognized as of July 1, 2001. Specifically, the System's assets earned a gross return before expenses of -6.06%, which is 14.06% under the actuarial assumption of 8.00%. All other actuarial experience gains and losses increased the actuarial accrued liability by \$90.7 million. Thus, the net experience loss for the year was \$1,057.6 million. In addition to the actuarial experience losses, the actuarial accrued liability was also increased by \$51.7 for the March 1, 2001 3.4% COLA and decreased by \$80.1 million for contributions in excess of the normal cost. PERSI also granted a \$155.4 gain sharing payment effective January 1, 2001. All of these items resulted in a change in funding status from 116.5% funding ratio on July 1, 2000 to 97.2% on June 30, 2001. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2001 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. Retirement rates and disablement rates were revised for the July 1, 2000 valuation as a result of an experience study covering the period July 1, 1995 through June 30, 1999. No assumptions were changed between the 2000 and 2001 valuations. The next major experience study to be completed 2002, will cover the period July 1, 1997 through June 30, 2001.

Certification Statement

In preparing our actuarial valuation reports, we relied, without audit, upon the financial statements prepared by the staff of the System. We also relied upon the member and beneficiary data provided to us by the staff. We compared the data for the July 1, 2001 actuarial valuation with corresponding information from the prior valuation and tested for missing or incomplete items, such as birth dates and hire dates. Based on these tests, we believe the data to be sufficient and reliable for the purposes of our calculations.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The assumptions used in the actuarial valuations were recommended by us and approved by the Board. They represent our best estimate of future conditions affecting the System, and we believe they are reasonably related to the past experience of the System. Nevertheless, the emerging costs of the System will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

The enclosed Exhibits 1 through 8 provide further related information. Milliman USA is completely responsible for these exhibits. Specifically, they are:

- Exhibit 1 Summary of Actuarial Assumptions and Methods
- Exhibit 2 Schedule of Active Member Valuation Data
- Exhibit 3 Schedule of Retiree and Beneficiary Valuation Data
- Exhibit 4 Schedule of Funding Progress
- Exhibit 5 Solvency Test
- Exhibit 6 Analysis of Actuarial Gains or Losses
- Exhibit 7 Schedule of Contributions from the Employer and All Other Contributing Entities
- Exhibit 8 Provisions of Governing Law

I, Robert L. Schmidt, am a Consulting Actuary for Milliman USA. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

(Robert L. Schmidt Signature)

Robert L. Schmidt, F.S.A., M.A.A.A., Consulting Actuary

I, Karen I. Steffen, am a Consulting Actuary for Milliman USA. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

(Karen I. Steffen Signature)

Karen I. Steffen, F.S.A., M.A.A.A., Consulting Actuary

**Public Employee Retirement
System of Idaho**

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2001

1. Investment Return (Adopted July 1, 1992)

The annual rate of investment return on the assets of the System is assumed to be 8.00% (including 0.5.% for expenses), compounded annually.

2. Actuarial Value of Assets (Adopted July 1, 1994)

All assets are valued at market as of the valuation date.

3. Actuarial Assumptions

The actuarial assumptions and methods were adopted by the Board based upon recommendations from the retained actuary. The actuarial assumptions are based on periodic studies of the System's actual experience.

4. Mortality (Adopted July 1, 1998)

Contributing Members, Service Retirement Members, and Beneficiaries:

- **Teachers**

Males 1994 Group Annuity Mortality Table for males, set back two years.

Females 1994 Group Annuity Mortality Table for females, set back one year.

- **Fire & Police**

Males 1994 Group Annuity Mortality Table for males with no setback.

Females 1994 Group Annuity Mortality Table for females, set forward two years.

- **General Employees and All Beneficiaries**

Males 1994 Group Annuity Mortality Table for males with no setback.

Females 1994 Group Annuity Mortality Table for females, set back one year.

Disabled Members

The 1983 Railroad Retirement Board Totally Disabled Annuitants Mortality Table, with no age adjustment for men and set back ten years for women.

5. Service Retirement (Adopted July 1, 2000)

Annual rates of retirement assumed to occur among persons eligible for a service retirement are illustrated in the following table:

Age	Fire & Police		General Employees			
	First Year Eligible	Thereafter	Male		Female	
			First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	30.0%	15.0%	20.0%	10.0%	20.0%	10.0%
60	30.0	25.0	25.0	15.0	25.0	15.0
65	50.0	40.0	85.0	80.0	60.0	55.0
70	*	*	40.0	30.0	40.0	30.0

Age	Teachers			
	Male		Female	
	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	20.0%	10.0%	20.0%	10.0%
60	20.0	15.0	30.0	10.0
65	70.0	65.0	75.0	70.0
70	*	*	*	*

**For all ages older than the age indicated, retirement is assumed to occur immediately.*

6. Early Retirement (Adopted July 1, 2000)

Annual rates of retirement assumed to occur among persons eligible for a reduced early retirement benefit are illustrated in the following table:

Age	Fire & Police	General Employees		Teachers	
		Male	Female	Male	Female
50	5.0%	*	*	*	*
55	10.0	4.0%	3.5%	4.0%	3.5%
60	-	7.8	9.5	13.0	15.0

**For all ages younger than the age indicated, withdrawal is assumed to occur, see Section 6.*

7. Other Terminations of Employment (Adopted July 1, 1996)

Assumed annual rates of termination after five years of service are illustrated below. Higher rates are assumed during the first five years of service.

Age	Fire and Police	General Employees		Teachers	
		Male	Female	Male	Female
25	6.0%	7.0%	11.0%	8.0%	11.0%
35	3.1	5.0	6.0	3.2	3.5
45	2.4	3.0	4.5	2.0	2.0
55	7.0*	5.0*	3.5*	3.5*	3.5*

**Early retirement is assumed to occur.*

8. Disability Retirement (Adopted July 1, 2000)

Annual rates assumed for disability retirement are illustrated in the following table:

Age	Fire & Police	General Employees		Teachers	
		Male	Female	Male	Female
25	.01%	.05%	.01%	.01%	.02%
35	.01	.10	.01	.05	.02
45	.06	.10	.05	.05	.08
55	.24	.50	.20	.35	.20

9. Future Salaries (Adopted July 1, 1998)

In general, the total annual rates at which salaries are assumed to increase include 5.25% per annum for increase in the general wage level of the membership plus increases due to promotions and longevity. The general wage level increases are due to inflation and increases in productivity. The total ultimate rates assumed are illustrated below.

Years of Service	Fire and Police	General Employees		Teachers	
		Male	Female	Male	Female
5	8.5%	8.0%	8.5%	9.3%	9.8%
10	7.5	6.9	7.5	8.0	8.3
15	6.3	6.4	6.3	6.5	7.0
20	6.0	6.0	6.0	6.0	6.0

Note that rates shown in items 4-8 are central rates of decrement.

10. Vesting (Adopted July 1, 1996)

The following table illustrates the assumed probability that vested terminating members will elect to receive deferred benefits instead of withdrawing accumulated contributions.

Age	Fire and Police	General Employees		Teachers	
		Male	Female	Male	Female
25	23.0%	30.0%	36.0%	23.0%	59.0%
35	33.0	46.0	48.0	61.0	73.0
45	49.0	58.0	61.0	73.0	83.0
55	--	--	--	--	90.0

11. Growth in Membership (Adopted July 1, 1998)

In general, the combined effects of increasing membership and salary levels are assumed to produce a 5.25% average annual expansion in the payroll of covered members.

12. Interest on Employee Contributions (Adopted July 1, 2000)

The credited interest rate on employee contributions is assumed to be 7.50%.

13. Postretirement Benefit Increases (Cost of Living Adjustments)

A nondiscretionary postretirement increase of 1% per year is assumed for the valuation. See Exhibit 3 for total discretionary and nondiscretionary increases granted by the Board for the past ten years.

14. Actuarial Cost Method

The entry age actuarial cost method is used, as specified by Idaho law. The aggregate normal cost rate is based on separate rates developed for each valuation group. The normal cost rates used in this valuation were calculated based on all current active members, for each sex and type of employee in this valuation. The actuarial present values of projected benefits and of projected salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The aggregate rate remains unchanged between valuations, unless actuarial assumptions or benefits are changed. The current aggregate normal cost rate was adopted July 1, 2000.

The unfunded actuarial accrued liability (UAAL) created by this method, including gains and losses, is amortized as a level percentage of the System's projected payroll.

Commencing July 1, 1990, 3.03% of the payroll of higher education faculty covered by the Optional Retirement Program (ORP) is payable to PERSI until July 1, 2015. Commencing July 1, 1997, 3.83% of the payroll of community college and post-secondary vocational educational institutions covered by the ORP is payable to PERSI until July 1, 2011. The difference between the future ORP contributions and the actuarial accrued liability computed under the actuarial cost method is the portion of the actuarial accrued liability used to determine the UAAL, or funding reserve, for PERSI.

15. Experience Studies

The last experience study was for the period July 1, 1995 through July 30, 1999, and reviewed all assumptions except the mortality assumptions. Mortality and salary assumptions were studied in 1998. Mortality and termination assumptions will be studied again in 2002 for the period July 1, 1997 through June 30, 2001. Assumptions were adopted and have remained in effect as noted.

16. Recent Changes

Retirement rates and disablement rates were changed July 1, 2000 as a result of our 2000 Investigation of Experience Study. The Board adopted a 2.4% discretionary COLA for current retirees as of March 1, 2001. The Board adopted several benefit enhancements as of July 1, 2000. These enhancements included an increase in the benefit multiplier from 1.917% to 2.000% (from 2.225% to 2.300% for firefighters and police officers). The service requirement for eligibility for a disability pension was reduced from ten years to five years. Member contributions will now be credited with the actual rate of return earned by the System's assets.

Beginning in 2000, under Section 59-1309, Idaho Code, the Board may allocate all or a portion of "extraordinary gains" to active and retired members and employers as Gain Sharing. The Board approved a Gain Sharing allocation of \$155.4 million, effective January 1, 2001.

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EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries*		
		Annual Valuation Payroll	Average Annual Pay	% Increase in Average Annual Pay
1992	51,557	\$1,133,934,000	\$21,994	5.5%
1993	52,532	1,190,519,000	22,663	3.0
1994	53,763	1,253,848,000	23,322	2.9
1995	55,811	1,387,788,000	24,866	6.6
1996	56,802	1,451,730,000	25,558	2.8
1997	57,237	1,511,204,000	26,403	3.3
1998	57,528	1,562,205,000	27,156	2.9
1999	59,248	1,673,056,000	28,243	4.0
2000	60,388	1,798,222,000	29,778	5.4
2001	62,125	1,924,389,000	30,976	4.0

* Actuarial valuation payroll is computed as the sum of the annualized salaries for all active members; and differs from the actual payroll shown in the financial section of the annual report.

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EXHIBIT 3: SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA**

Valuation Date July 1	Number			COLA
	Total	Added	Removed	Increases Granted Previous March 1
1992	17,847	911	528	3.8 + 70% restoration
1993	18,283	907	471	3.1 + 80% restoration
1994	18,683	1,131	731	2.8 + 90% restoration
1995	19,272	1,137	548	2.9
1996	19,903	1,329	698	2.6
1997	20,499	1,434	838	2.9
1998	21,134	1,416	781	2.2
1999	21,756	1,464	842	1.6 + 100% restoration
2000	22,456	1,597	897	2.3
2001	23,253	1,840	1,043	3.4

Valuation Date July 1	Annual Benefits				
	Total Rolls End of Year	Added to Rolls*	Removed from Rolls	Average	% Increase in Average
1992	\$100,854,000	\$12,550,000	\$3,736,000	\$ 5,651	7.2%
1993	111,545,000	13,521,000	2,830,000	6,101	8.0
1994	124,254,000	17,736,000	5,027,000	6,651	9.0
1995	136,328,000	15,519,000	3,445,000	7,074	6.4
1996	148,740,000	16,945,000	4,533,000	7,473	5.6
1997	160,908,000	17,418,000	5,250,000	7,850	5.0
1998	173,519,000	17,894,000	5,283,000	8,210	4.6
1999	193,441,000	25,956,000	6,034,000	8,891	8.3
2000	209,549,000	22,757,000	6,649,000	9,332	5.0
2001	235,269,000	33,251,000	7,531,000	10,118	8.4

* Includes postretirement increases.

** Information regarding the number of retirees and beneficiaries added to, and removed from, the rolls was not used in the actuarial valuations.

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EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS
(ALL DOLLAR AMOUNTS IN MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ⁽¹⁾	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities (UAAL) ⁽²⁾	Funded Ratio ⁽³⁾	Covered Payroll ⁽⁴⁾	UAAL as a Percentage of Covered Payroll
July 1, 1992	\$2,134.8	\$2,841.1	\$29.0	\$ 677.3	75.9%	\$1,286.8	52.6%
July 1, 1993	2,434.7	3,206.3	31.6	740.0	76.7	1,309.0	56.5
July 1, 1994	2,591.4	3,666.1	34.1	1,040.6	71.3	1,402.0	74.2
July 1, 1995	3,087.3	4,077.8	38.4	952.1	76.4	1,525.0	62.4
July 1, 1996	3,761.2	4,461.5	60.8	639.5	85.5	1,497.4	42.7
July 1, 1997	4,609.8	4,801.9	63.2	128.9	97.3	1,575.5	8.2
July 1, 1998	5,488.2	5,060.0	65.7	(493.9)	109.9	1,627.7	(30.3)
July 1, 1999	6,171.9	5,536.8	68.9	(704.0)	112.9	1,733.5	(40.6)
July 1, 2000	7,032.9	6,105.1	70.5	(998.3)	116.5	1,824.1	(54.7)
July 1, 2001	6,492.8	6,751.3	72.2	186.3	97.2	1,975.3	9.4

(1) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.

(2) Actuarial accrued liabilities less actuarial value of assets and present value of future ORP contributions does not include the value of the discretionary COLA granted after the valuation date. If negative, amount is referred to in actuarial terms as a funding reserve.

(3) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.

(4) Covered Payroll includes compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those members who were active on the actuarial valuation date. For years prior to 1996, Covered Payroll is estimated. See footnote to Exhibit 7.

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**EXHIBIT 5: SOLVENCY TEST
(ALL DOLLAR AMOUNTS IN MILLIONS)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities for					
		Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	Portion of Actuarial Accrued Liabilities Covered by Assets		
					(A)	(B)	(C)
July 1, 1992	\$2,134.8	\$ 644.0	\$ 984.4	\$1,212.7	100.0%	100.0%	41.8%
July 1, 1993	2,434.7	703.5	1,076.7	1,426.1	100.0	100.0	45.9
July 1, 1994	2,591.4	768.5	1,227.2	1,670.4	100.0	100.0	35.7
July 1, 1995	3,087.3	850.0	1,341.3	1,886.5	100.0	100.0	47.5
July 1, 1996	3,761.2	941.2	1,471.7	2,048.6	100.0	100.0	65.8
July 1, 1997	4,609.8	1,019.5	1,617.0	2,165.4	100.0	100.0	91.1
July 1, 1998	5,488.7	1,089.7	1,766.1	2,204.2	100.0	100.0	119.4
July 1, 1999	6,171.9	1,158.1	1,978.1	2,400.6	100.0	100.0	100.0
July 1, 2000	7,032.9	1,329.7	2,173.8	2,601.6	100.0	100.0	100.0
July 1, 2001	6,492.8	1,502.0	2,487.6	2,761.7	100.0	100.0	90.6

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EXHIBIT 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES
(ALL DOLLAR AMOUNTS IN MILLIONS)

	Gain(Loss) for Period		
	1998-1999	1999-2000	2000-2001
Investment Income			
Investment income was greater (less) than expected.	\$ 212.4	\$ 336.1	\$ (966.9)
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Funding Reserve.		65.3	80.1
Pay Increases			
Pay increases were less (greater) than expected.	(12.7)	23.2	(8.3)
Membership Growth			
(Additional) liability for new members	(9.9)	(16.7)	(15.7)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	3.1	0.2	(1.7)
Death After Retirement			
Retirees died younger (lived longer) than expected.	(9.2)	4.6	(6.5)
Other			
Miscellaneous gains (and losses) resulting from other causes.	<u>28.5</u>	<u>57.7</u>	<u>(58.5)</u>
Total Gain (Loss) During the Period From Actuarial Experience.	\$ 212.2	\$ 470.4	\$ (977.5)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss).	None	19.7	None
Changes in benefits caused a gain (loss).	<u>(59.2)</u>	<u>(195.8)</u>	<u>(207.1)</u>
Composite Gain (Loss) During the Period	\$ 153.0	\$ 294.3	\$ (1,184.6)

Note: Effects related to losses are shown in parentheses. Numerical results are expressed as a decrease (increase) in the actuarial accrued liability.

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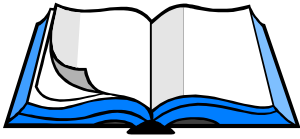
**EXHIBIT 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND ALL OTHER CONTRIBUTING ENTITIES
(ALL DOLLAR AMOUNTS IN MILLIONS)**

Fiscal Year Ending	Covered Employee Payroll ⁽¹⁾	Actual Employer Contributions Dollar Amount ⁽²⁾	Actual Employer Contribution % ⁽²⁾	Annual Required Contribution (ARC) % ⁽²⁾⁽³⁾	Percentage of ARC Contributed
6/30/92	\$1,286.8	\$114.4	8.89%	8.89%	100%
6/30/93	1,309.0	124.8	9.535	9.535	100
6/30/94	1,402.0	146.2	10.425	10.425	100
6/30/95	1,525.0	173.6	11.385	11.385	100
6/30/96	1,497.4	176.5	11.63	11.63	100
6/30/97	1,575.5	185.9	11.64	11.64	100
6/30/98	1,627.7	172.3	10.413	10.413	100
6/30/99	1,733.5	173.2	9.80	9.80	100
6/30/00	1,824.1	182.6	9.80	8.315	118
6/30/01	1,975.3	120.2 ⁽⁵⁾	9.80	7.490 ⁽⁴⁾	131

- (1) Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll. Amounts before 1996 were calculated including additional receipts due to merger of retirement systems. After 1995, additional receipts due to merger of retirement systems are excluded.
- (2) The actual and required employer contributions are expressed as a percentage of payroll.
- (3) Employer contributions are made as a percentage of actual payroll in accordance with statute and the Board's Funding Policy. Thus, the required employer contributions set by both statute and the Board's Funding Policy may differ from the computed ARC employer contribution rate for GASB disclosure purposes. The Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employer fiscal years commencing October 1, of the calendar year following the valuation date.
- (4) The ARC in this table is based on three months of the ARC rate applicable to the employer's prior fiscal year plus nine months of the ARC rate applicable to the employer's current fiscal year. For example, the 7.490% for the plan year ending June 30, 2001 is based on three months at 7.82% as computed in the 1998 valuation and 9 months at 7.38% as computed in the 1999 valuation.
- (5) Actual cash contributions of \$120,220,992 do not include \$77,690,500 of gain sharing credits.

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Exhibit 8: Provisions of Governing Law



All actuarial calculations are based on our understanding of the statute governing the Public Employee Retirement System of Idaho, as contained in Sections 59-1301 through 59-1399, inclusive, of the Idaho Code, with amendments effective through July 1, 2001. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the Idaho Code. This summary does not attempt to cover all the detailed provisions of the law. Only those benefits in effect through July 1, 2001 are considered in this valuation.

The items in parentheses are the provisions applicable to firefighters and police officers.

The effective date of the Retirement System was July 1, 1965.

Effective Date

Member Contribution Rate

The member contribution rate effective October 1, 2001 is 5.86% (7.21%) of salary. This rate will remain in effect until the employer contribution rate is changed from the current 9.77% (10.01%), at which time the member contribution rate will be fixed at 60% (72%) of the employer contribution rate. Member contributions have been “picked up” on a pre-tax basis by the employer since June 30, 1983. (Sections 59-1331 and 59-1332)

Employer Contribution Rate

The employer contribution rate is set by the Retirement Board. (Section 59-1322)

Service Retirement Allowance

Eligibility

Age 65 (60) with five years of service, including six months of membership service (Section 59-1341).

Amount of Allowance

For each year of credited service, the annual service retirement allowance is 2.0% (2.3%) of the highest 42-month average salary (Section 59-1342).

Minimum Benefit

\$60 (\$72) annual allowance for each year of service. The dollar amounts increase after 1974 according to the rate of cost-of-living increases in retirement allowances (Section 59-1342).

**Service Retirement Allowance
(continued)*****Maximum Benefit***

In no case may a member's regular retirement benefit exceed the highest three-year average salary of the member (Section 59-1342).

Normal Form

Straight life retirement allowance plus any death benefit (Section 59-1351).

Optional Form

Actuarial equivalent of the normal form under the options available, according to the mortality and interest basis adopted by the Board (Section 59-1351).

Early Retirement Allowance***Eligibility***

Age 55 (50) with five years of service, including six months of membership service (contributing members only) (Section 59-1345).

Amount of Allowance

Full accrued service retirement allowance if age plus service equals 90 (80); otherwise, the accrued service retirement allowance, reduced by 3% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive the full accrued benefit, and by 5.75% for each additional year (Section 59-1346).

Vested Retirement Allowance***Eligibility***

Former contributing members with five years of membership service are entitled to receive benefits after attaining age 55 (50) (Section 59-1345).

Amount of Allowance

Same as early retirement allowance (Section 59-1345).

Disability Retirement Allowance***Eligibility***

Five years of membership service. For a police officer or a firefighter hired after July 1, 1993, who is disabled from an occupational cause, there is no service requirement (Section 59-1352).

Amount of Allowance

Projected service retirement allowance based on accrued service plus service projected to age 65 (60) (latter limited to excess of 30 years over accrued service) less any amount payable under workers' compensation law (Section 59-1353).

**Disability Retirement Allowance
(continued)*****Normal Form***

Temporary annuity to age 65 (60) plus any death benefit. Service retirement allowance becomes payable at age 65 (60) (Section 59-1354).

Death Benefits***After Retirement***

Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise, payable according to the option elected (Section 59-1361).

Before Retirement

A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with five years of service who dies while:

- i. contributing;
- ii. not contributing, but eligible for benefits; or
- iii. retired for disability

or

B. If the member has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

Withdrawal Benefits

Accumulated contributions with interest (Section 59-1358). The interest rate is determined by the Board (Section 59-1301(26)).

Postretirement Increases

A 1% annual postretirement increase is effective March of each year. An additional postretirement increase of up to 5% each year may be authorized by the Board, subject to the approval of the Legislature, if it finds that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase.

Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase of 6% in any year (Section 59-1355).

Gain Sharing

Beginning in 2000, the Board may allocate all or a portion of “extraordinary gains” to active and retired members and employers as Gain Sharing. Extraordinary gains are defined as the excess, if any, at the close of the fiscal year of the Assets over Actuarial Liabilities plus an amount necessary to absorb a one standard deviation market event without increasing contribution rates, as determined by the Board. Under the Board’s current investment policy, assets in excess of a 113% funded ratio are considered extraordinary gains. The Board has the authority to rescind the Gain Sharing up to the date of distribution (Section 59-1309).

Beginning in 2000, under Section 59-1309, Idaho Code, the Board may allocate all or a portion of “extraordinary gains” to active and retired members and employers as Gain Sharing. Extraordinary gains are defined as the excess, if any, at the close of the fiscal year of the Assets over Actuarial Accrued Liabilities plus an amount necessary to absorb a one standard deviation market event without increasing contribution rates, as determined by the Board. Under the Board’s current investment policy, assets in excess of a 113% funded ratio are considered extraordinary gains. The Board has the authority to rescind the Gain Sharing up to the date of distribution.